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August 14, 2008

Patrick W. Henning, Director  
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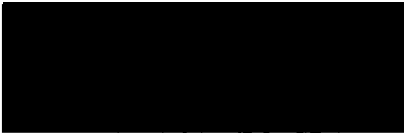
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Dear Mr. Henning:

The Department of Motor Vehicles, Audits Office presents its final audit report of California Employment Development Department (EDD) Government Requester Accounts. Please note the attached report includes excerpts of EDD's response to our findings, as well as our response evaluation. We have included EDD's response in its entirety as Exhibit 1 at the end of the report.

At six months and again at one year from the date of this report, we request that EDD provide us with a written status on the corrective actions planned and implemented for the findings.

We thank EDD and its staff that we contacted during this review for their cooperation and courtesy extended to our auditors. If you have any questions regarding the audit or this report, please contact Grace Rule-Ali, Manager, Information Systems/Requester Audit Section at (916) 657-5828.

  
JERRY MCCLAIN, CPA  
Chief of Audits  
(916) 657-6480

Attachment

cc: Gregory Riggs, Acting Deputy Director, Program Review Branch, EDD  
Tonia Lediju, Chief, Audit and Evaluation Division, EDD  
Dale Jablonsky, Deputy Director, Information Technology Branch, EDD  
George Valverde, Director, DMV  
Ken Miyao, Chief Deputy Director, DMV  
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FINAL AUDIT REPORT  
CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT

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## EXECUTIVE SUMMARY

The California Department of Motor Vehicles (DMV) Information Services Branch operates an information requester program pursuant to California Vehicle Code 1808.21 et seq., and Title 13, Division 1, Chapter 1, Article V, of the California Code of Regulations Title 13. As an authorized DMV Government Requester Account holder the California Employment Development Department (EDD), has access to California driver license and vehicle registration records. In accordance with its DMV Government Requester Memorandum of Understanding (MOU), EDD is allowed to make California DMV inquiries for its business needs.

California law requires that the Department protect the privacy rights of the public by releasing only certain information authorized by statutes. Statutes and regulations allow for businesses and individuals to access DMV records containing both confidential and non-confidential information, contingent upon approval of an application and compliance with the program requirements. To meet our obligation of protecting the public and DMV information, we audited EDD's compliance with the MOU, *California Department of Motor Vehicles Electronic Access Requirements* and applicable California laws and regulations, and standards developed by the *National Institute of Standards and Technology*.

The audit fieldwork was conducted at EDD Central Office in Sacramento, California, February 26-28, 2008. Our audit included an examination of EDD information technology operations, DMV data security environment, evaluation of the network security architecture, administrative security procedures, and monitoring programs that are in place to protect DMV information.

Our evaluation found that current security controls in effect at EDD as of April 4, 2008, are sufficient to meet the security objectives of this audit, except as noted in the *Findings and Recommendations* section of this report. However, because of inherent limitations in control systems, errors or irregularities may occur and not be detected. The findings are summarized as follows:

- The Logs for Information Requests Were Incomplete Or Missing;
- Unable To Verify Documentation To Support Business Use; and
- Unauthorized Use Of Requester Code.

## BACKGROUND

EDD has held Government Requester Accounts since 1990; however, in 2007, the Department of Motor Vehicles (DMV) initiated an investigation of EDD concerning the potential misuse of a requester code. The requester code in question was approved for use by another government entity. The DMV investigation found that EDD occasionally hires employees who had access to requester codes at their prior agency.

However, it was not confirmed how EDD employees came into possession of a requester code that was assigned to another government entity. Results of the investigation found no instance where an EDD employee used the code improperly.

In February 2008, the DMV Information Services Branch requested the Audit Office conduct an audit of EDD requester codes. The Audit Office commenced its audit on February 26, 2008.

The EDD currently maintains active accounts that include both manual and on-line requester codes. To ensure compliance with *California Department of Motor Vehicles Electronic Access Requirements*, the DMV Information Protection Services Office (IPSO) is responsible to review original and renewal applications for on-line requesters. EDD submitted on-line applications for the Unemployment Insurance (UI) Branch, new claims filing in UI Call Centers, and UI Integrity Accounting Division. During their review, IPSO noted areas where EDD security measures do not meet requirements. After EDD revised and resubmitted its applications, IPSO granted a six-month conditional approval to the UI Branch on February 7, 2008. This required EDD to develop short term and long term mitigation plans, and where appropriate, additional security safeguards for DMV access and receipt of electronic information. Though our audit did not confirm implementation of EDD's projected mitigation plans, we will verify that EDD implemented corrective actions during our standard six-month follow-up process.

## OBJECTIVES, SCOPE AND METHODOLOGY

DMV is responsible for administering statewide programs that use and rely on information assets whether they are electronically stored or hard copy documents. A structure of laws, regulations, administrative requirements, and security requirements determine the permissive uses and necessary protection of this information.

DMV conducts audits and evaluations of entities accessing Department information to ensure that these entities abide by the applicable laws and regulations and other departmental requirements. The Memorandum of Understanding (MOU), *California Department of Motor Vehicles Electronic Access Requirements*, and standards developed by the *National Institute of Standards and Technology*, are the primary criteria for this audit.

The audit objectives were to verify compliance with the requirements of the MOU, as well as applicable statutes and regulations stated in the California Vehicle Code and the California Code of Regulations; and review the security procedures that EDD has in place to ensure the protection of DMV information. This included evaluation of EDD information systems security architecture, administrative procedures, and applicable monitoring programs.

We conducted this audit in accordance with *Government Auditing Standards* promulgated by the United States General Accountability Office. Our evaluation methodology included such tests as considered necessary to meet our objectives. Our procedures included interviews with EDD staff and management, physical observation of the EDD facility and operations, review and verification of available system documentation, and testing to determine the levels of security and confidentiality over DMV information.

Our audit found that current security controls in effect at EDD as of April 4, 2008, are sufficient to meet the security objectives, except as noted in the *Findings and Recommendations* section of this report. However, because of inherent limitations in control systems, errors or irregularities may occur and not be detected. Therefore, projection of any evaluation of systems to future periods is subject to risk because procedures may become inadequate due to changes in conditions, or the degree of compliance with the procedures may deteriorate.

## FINDINGS AND RECOMMENDATIONS

### FINDING #1 – THE LOGS FOR INFORMATION REQUESTS WERE INCOMPLETE OR MISSING

**Condition:** The logs for 100 information requests randomly selected from the time period June through December 2007 were requested. The information requests were made using [REDACTED] of EDD's requester codes. Three information request logs could not be produced for examination. The remaining [REDACTED] logs did not contain all the elements required by EDD's MOU.

One of the [REDACTED] logs requested was for EDD's on-line requester code. These information requests are electronically logged. The information retained electronically was incomplete. The remaining [REDACTED] requester codes were manual requests which require a non-automated logging process. In both cases, EDD must ensure that inquiries are logged.

The purpose of creating and maintaining a log is to permit review and examination of information requests. The logging mechanism and the ability to track user activities is critical when determining appropriate access. In order to protect DMV information and verify approved access and use of information requests, the log must contain information in accordance with EDD's MOU with DMV.

During the audit we verified EDD made system changes to their on-line requester code log to ensure that the electronic log was in accordance with their MOU with DMV. EDD submitted an electronic log for December 20, 2007 containing complete information for on-line information requests. However, the [REDACTED] logs for the manual requester codes tested had not been revised/implemented for review and verification by the auditors during the audit time period.

**Criteria:** California Department of Motor Vehicles Electronic Access Requirements, Section A.I.2(j) states: "Audit logs will be established as required per Agreement with DMV (e.g., Memorandum of Understanding – MOU)."

In addition, the MOU #25 states, in part, "Record access information shall be electronically logged and securely stored (i.e. password protected, administrative rights, encrypted) for a period of two years from the date of the transaction...preserved for audit purposes for a period of two years and must include at a minimum...a) Transaction and information codes, b) Requester code, c) Record identifiers, d) All individual user identifiers, including individual user ID, e) Date and time of transaction, and f) Terminal ID, g) Cross reference to the supporting documentation, h) name of the subject of the request, i) Purpose of the request, j) Date the record was received from DMV..."

**Recommendation:** While EDD developed system changes to record complete information for on-line inquiries, logs must also be maintained for manual inquiries. EDD should ensure that logs are maintained and identify required elements regardless of inquiry method. All logs should be available for inspection, and retained for a period of two years from the date of the transaction.

**EDD Response:** "The EDD will develop written policies and procedures to ensure that all DMV transactions are logged regardless of the inquiry method used..."

**Department Response:** We concur with EDD's corrective action plan. To evidence compliance in this area, we ask that EDD submit a copy of their written policies and procedures at the six-month follow up.

## **FINDING #2 – UNABLE TO VERIFY DOCUMENTATION TO SUPPORT BUSINESS USE**

**Condition:** Our audit found that EDD did not have a procedure in place to link information requests to supporting documentation to substantiate inquiries for requester codes [REDACTED]. As a result, we could not verify that the information requests made were in accordance with the approved use for the requester codes.

In addition, we found that EDD was unable to establish the internal unit assignment for requester code [REDACTED]. The DMV Communication Programs Division's Information Services Branch, Electronic Access Administration Unit verified assignment of requester code [REDACTED] to EDD's Sacramento Primary Call Center 024.

Without adequate documentation, there is no assurance that the information obtained is permissible and approved for the agency. As such, the information is at risk of inappropriate disclosure and potential misuse.

**Criteria:** The MOU #25 states in part, "...Information shall be effectively preserved for audit purposes for a period of two years and must include, at a minimum, the following, ...j) Cross reference to the corresponding supporting documentation, (i.e. file/case number, account number, inventory/control number)..."

MOU # 23 states, "Requester's network security architecture requires the ability to identify each Requester terminal, individual User Identifier, system, and transaction identifiers."

**Recommendation:** EDD must establish procedures to ensure it records all transactions in a log regardless of inquiry method and maintain supporting documentation to substantiate information inquiries. In addition, the logs should be maintained for the two-year retention period. Management should conduct periodic reviews to ensure proper use.

In addition, we suggest that EDD contact the Department of Motor Vehicles Information Services Branch, Electronic Access Administration Unit to establish the on-going business need for existing requester codes. Finally, we recommend the establishment of a single point of contact responsible for account oversight. This will ensure that EDD can appropriately monitor the issuance and on-going need for requester accounts in the future.

**EDD Response:** "The EDD will develop written policies and procedures to ensure that supporting documentation is maintained to substantiate all information inquiries...The single point of contact responsible for account oversight will be the Chief of the Information Security Office."

**Department Response:** We concur with EDD's corrective action plan. To evidence compliance in this area, we ask that EDD submit a copy of their written policies and procedures at the six-month follow up.

### **FINDING #3 – UNAUTHORIZED USE OF REQUESTER CODE**

**Condition:** Inquiry records show that EDD used requester code [REDACTED] an on-line requester code approved for use and assigned by DMV to another government entity. The DMV investigation found that EDD occasionally hires employees who had access to requester codes at their prior agency. However, it was not confirmed how EDD employees came into possession of a requester code assigned to another government entity.

When an agency uses a requester code not assigned to them, it is possible to receive information that exceeds the permissible use necessary to conduct business. As such, confidential information is at risk of inappropriate disclosure and potential misuse.

We verified that EDD developed a new inquiry method that prohibits keying of the requester code when processing on-line inquiries and demonstrated this process during our fieldwork.

**Criteria:** The MOU # 11 states in part, "Requester agrees to establish security procedures to protect the confidentiality of DMV records and access to confidential or restricted, as required by California Vehicle Code Section 1808.47. Requester shall ensure that each person working on behalf of Requester having direct or incidental access to DMV records has signed the EDD Employee Confidentiality Statement, form 7410..."

**Recommendation:** EDD implemented corrective action to prohibit keying of the requester code when processing on-line inquiries and demonstrated this process during our fieldwork. We commend EDD for taking this initiative, as it will provide enhanced security over requester codes when processing on-line inquiries of DMV information. Accordingly, a response to this finding is not required.

**EDD Response:** "...The DMV audit report acknowledges that the EDD implemented corrective action to resolve Finding Number 3 and no further response is required..."

**Department Response:** We concur as EDD implemented corrective action that prohibits keying of the requester code when processing on-line inquiries and demonstrated this process during our fieldwork. Accordingly, we did not require a response from EDD for this finding.

## CONCLUSION

EDD operates a system and program designed to provide Department of Motor Vehicle (DMV) information to its authorized users; and provides the assurance that access to the information is appropriately controlled and monitored in accordance with the requirements of the Memorandum of Understanding. As such, the mechanisms and controls in place to protect information received from DMV taken as a whole are sufficient and functioning properly to fulfill the program objectives. However, because of inherent limitations in control systems, errors or irregularities may occur and not be detected. Therefore, projection of any evaluation of systems to future periods is subject to risk because procedures may become inadequate due to changes in conditions, or the degree of compliance with the procedures may deteriorate.



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April 04, 2008

Review Team:  
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EXHIBIT 1  
EDD Response



Patrick W. Henning  
Director



Arnold Schwarzenegger  
Governor

July 21, 2008

Jerry McClain, CPA  
Chief of Audits  
Department of Motor Vehicles  
Audits Office  
Information Systems & Security Audit Unit  
2570 24<sup>th</sup> Street, MS H-121  
Sacramento, CA 95818

Dear Mr. McClain:

This letter transmits the Employment Development Department's (EDD) response to the draft report of the California Department of Motor Vehicles' (DMV) Government Requester Accounts compliance audit.

The EDD concurs with the three findings of non-compliance identified in the audit report. The DMV audit report acknowledges that the EDD implemented corrective action to resolve Finding Number 3 and no further response is required. The Corrective Action Plan for the two remaining findings is stated below.

#### **Finding Number 1**

The logs for information requests were incomplete or missing.

#### **Corrective Action Plan**

The EDD will develop written policies and procedures to ensure that all DMV transactions are logged regardless of the inquiry method used. The EDD will retain DMV Audit Logs information for a minimum of three years pursuant to Section 1798.27 of the Information Privacy Act.

#### **Finding Number 2**

The auditors were unable to verify documentation to support business use.


Jerry McClain  
July 21, 2008  
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Corrective Action Plan

The EDD will develop written policies and procedures ensure that supporting documentation is maintained to substantiate all information inquiries. The EDD will retain DMV Audit Logs information and inquiries for a minimum of three years pursuant to Section 1798.27 of the Information Privacy Act. The single point of contact responsible for account oversight will be the Chief of the Information Security Office.

If you have any questions or need additional information regarding the stated Corrective Action Plan, please call Tonia Lediju, Chief, Audit and Evaluation Division, at (916) 654-7000.

Sincerely,



PATRICK W. HENNING  
Director

cc: Dale Jablonsky, MIC 71  
Tonia Lediju, MIC 78  
Dale Morgan, MIC 33  
Gregory Riggs, MIC 76